

FAIR TAX FOR ILLINOIS

MARCH 7, 2019



ILLINOIS' DIRE FISCAL CONDITION

Illinois is in precarious fiscal condition, and the state's financial challenges are having a destabilizing effect on our economy, businesses, jobs and the future of working families.

- Multi-billion dollar structural deficit
- \$15 billion in debt associated with unpaid bills
- Late Payment Interest Penalties exceed \$1.25 billion from impasse
- Public safety, schools and social services were hollowed out
- Tens of millions in spending for court orders and consent decrees

BASIC OPTIONS FOR ADDRESSING FISCAL CHALLENGES

Option 1: Across the Board Cuts

Illinois would cut its discretionary spending by 15 percent. Discretionary spending includes:

- K-12 education
- Universities and community colleges
- State Police
- Social service agencies

Option 2: Flat Tax Increase

Illinois would raise the flat tax rate from 4.95 percent to 5.95 percent – meaning that every family in the state would pay higher taxes.

For example, a single mom making \$61,000 would pay an additional \$521 in taxes.

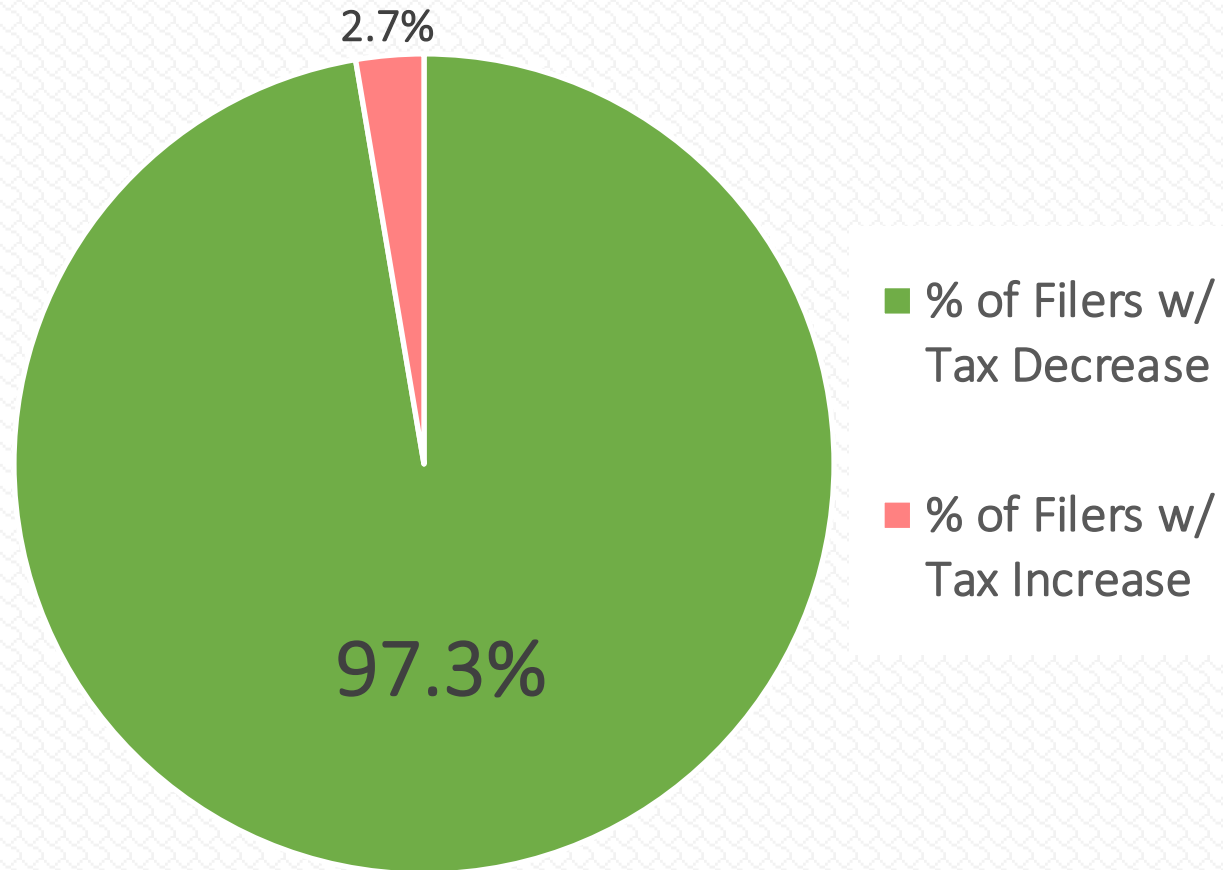
Option 3: Fair Income Tax

Illinois would change its system so the wealthy pay more, like in 33 other states. 97 percent of taxpayers would have a lower tax bill, while those making more than \$250,000 would pay more and generate \$3.4 billion in additional revenue.

The same single mom would pay \$271 less, a difference of \$792 compared to Option 2.

FAIR INCOME TAX PROVIDES TAX RELIEF FOR **97 PERCENT** OF TAXPAYERS

Statewide Impact of Fair Tax







FAIR INCOME TAX ELEMENTS

- Filers at or below \$250,000 – 97% of taxpayers – will have lower tax bill
 - See examples on next page
- 20% increase in current Property Tax Credit
 - From approx. \$500 million (@ 5.0%) to \$600 million (@ 6.0%)
- Top rate of 7.95% for net income over \$1.0 million
 - Once income reaches \$1.0 million, *entire* income is taxed at 7.95% rate
 - Corporate Income Tax rate to match top Fair Income Tax rate (7.95%)
- \$100 per child Child Tax Credit for:
 - Single filers under \$80K (phase-out starting @ \$40K)
 - Joint filers under \$100K (phase-out starting @ \$60K)

FAIR INCOME TAX EXAMPLES – MID & LOW INCOME



97 percent of taxpayers get tax relief.

 HOUSEHOLD WITH TWO CHILDREN RENTERS	<p>\$17,160 HOUSEHOLD INCOME</p> <p>— PROPERTY TAX PAID</p> <p>\$20 INCOME TAX RELIEF</p> <p>— PROPERTY TAX CREDIT</p> <p>\$200 CHILD TAX CREDIT</p> <p>\$220 TOTAL TAX RELIEF UNDER FAIR TAX</p>	 HOUSEHOLD WITH ONE CHILD HOMEOWNERS	<p>\$125,000 HOUSEHOLD INCOME</p> <p>\$5,000 PROPERTY TAX PAID</p> <p>\$65 INCOME TAX RELIEF</p> <p>\$50 PROPERTY TAX CREDIT</p> <p>— CHILD TAX CREDIT</p> <p>\$115 TOTAL TAX RELIEF UNDER FAIR TAX</p>
 HOUSEHOLD WITH TWO CHILDREN HOMEOWNERS	<p>\$61,000 HOUSEHOLD INCOME</p> <p>\$3,500 PROPERTY TAX PAID</p> <p>\$41 INCOME TAX RELIEF</p> <p>\$35 PROPERTY TAX CREDIT</p> <p>\$195 CHILD TAX CREDIT</p> <p>\$271 TOTAL TAX RELIEF UNDER FAIR TAX</p>	 HOUSEHOLD WITH NO CHILDREN HOMEOWNERS	<p>\$250,000 HOUSEHOLD INCOME</p> <p>\$8,000 PROPERTY TAX PAID</p> <p>\$65 INCOME TAX RELIEF</p> <p>\$80 PROPERTY TAX CREDIT</p> <p>— CHILD TAX CREDIT</p> <p>\$145 TOTAL TAX RELIEF UNDER FAIR TAX</p>

Assumptions: Illinois base income is prior to state exemptions and deductions. Income tax relief is the savings after changing the rate structure. Property tax credit is a 20 percent increase on top of the existing property tax credit. Child tax credit fades out as family income increases so lower-income people get the most benefit, with a total phase out at \$80,000 for single parents and \$100,000 for married couples.

FAIR INCOME TAX EXAMPLES – HIGH INCOME

The wealthy pay their fair share.

 HOUSEHOLD WITH TWO CHILDREN HOMEOWNERS	\$500,000	HOUSEHOLD INCOME	 HOUSEHOLD WITH ONE CHILD HOMEOWNERS	\$5,000,000	HOUSEHOLD INCOME
	\$16,000	PROPERTY TAX PAID		\$25,000	PROPERTY TAX PAID
	\$6,686	INCOME TAX INCREASE		\$150,000	INCOME TAX INCREASE
	\$160	PROPERTY TAX CREDIT		—	PROPERTY TAX CREDIT
	—	CHILD TAX CREDIT		—	CHILD TAX CREDIT
	\$6,526	FAIR TAX INCREASE ON WEALTHY		\$150,000	FAIR TAX INCREASE ON WEALTHY

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FAIR INCOME TAX RATES

Single & Joint Filers		
Marginal Rates	Net Income Level	% of IL Taxpayers
4.75%	\$0 - \$10,000	27.2%
4.90%	\$10,001 - \$100,000	58.9%
4.95%	\$100,001 - \$250,000	11.1%
7.75%	\$250,001 - \$500,000	1.9%
7.85%	\$500,001 - \$1,000,000	0.6%
7.95%	Over \$1,000,000	0.3%

In addition...	
97% of earners get tax relief	✓
20% Increase in Property Tax Credits	✓
\$100 Per Child Tax Credit	✓

